

# Economic Report

## United Way Board Retreat

March 16, 2010

Jeff Fleming, AICP

Assistant City Manager for Development

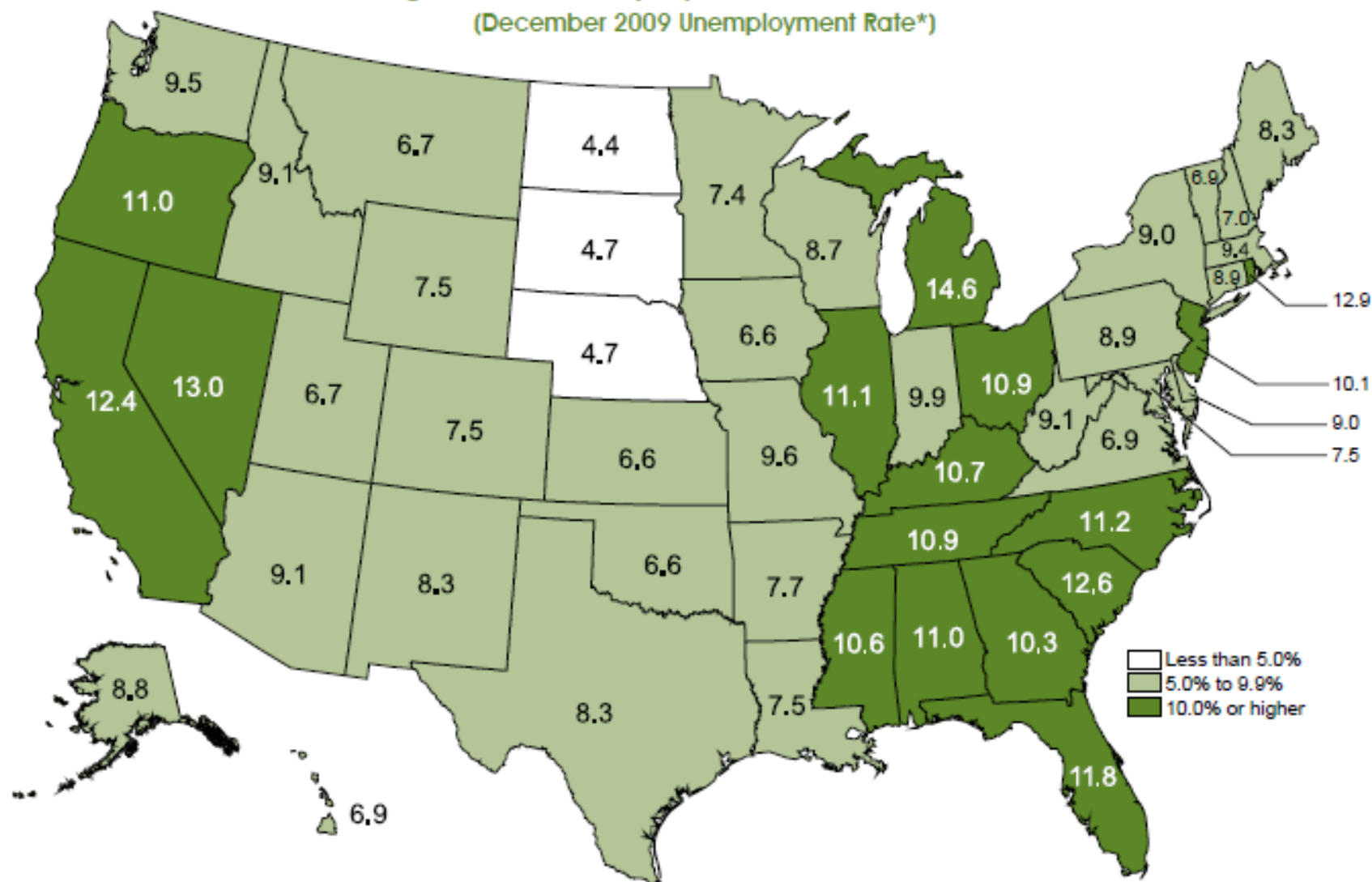
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# Tennessee's Short Term Economic Outlook

University of Tennessee  
Report to Governor 2010



**Figure 2.3. Unemployment Rates on the Rise**  
(December 2009 Unemployment Rate\*)



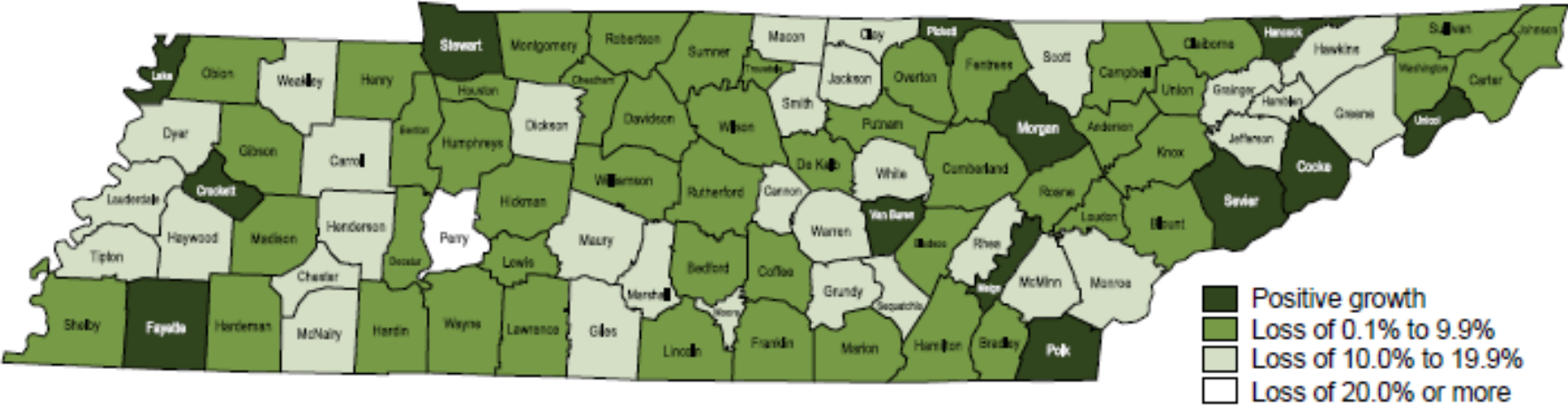
\*seasonally adjusted.

Note: December 2009 U.S. Unemployment Rate: 10.0%

Source: Bureau of Labor Statistics.

## 2.2. The Current Economic Environment, continued

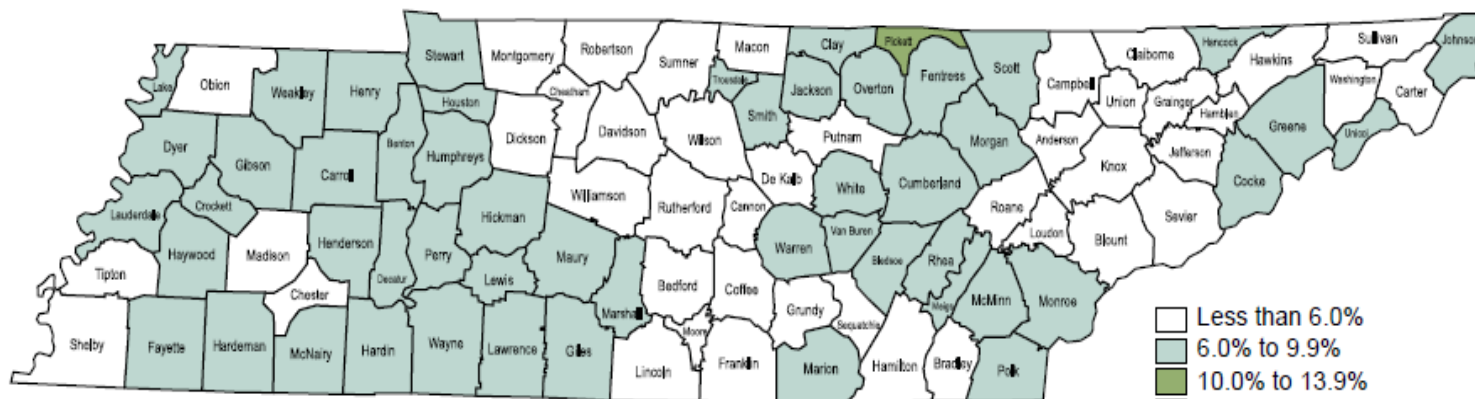
**Figure 2.2. Some Counties Have Continued to Grow Since the Beginning of the Recession**  
(Total covered employment growth December 2007 to June 2009, percent)



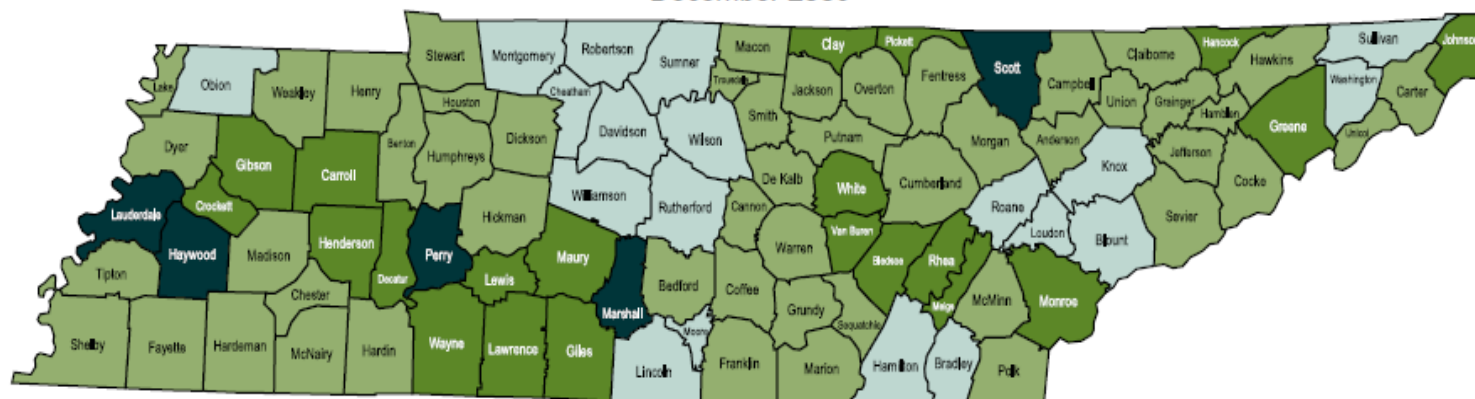
Note: Total employment covered by the state unemployment insurance program (includes private and government owned establishments).  
Source: Bureau of Labor Statistics.

Figure 2.4. No County Has Been Spared  
(Monthly Unemployment Rate\*)

December 2007



December 2009



(Quarterly Personal Income Growth 2007.4 to 2009.3, percent)

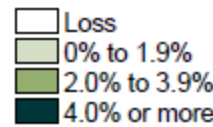
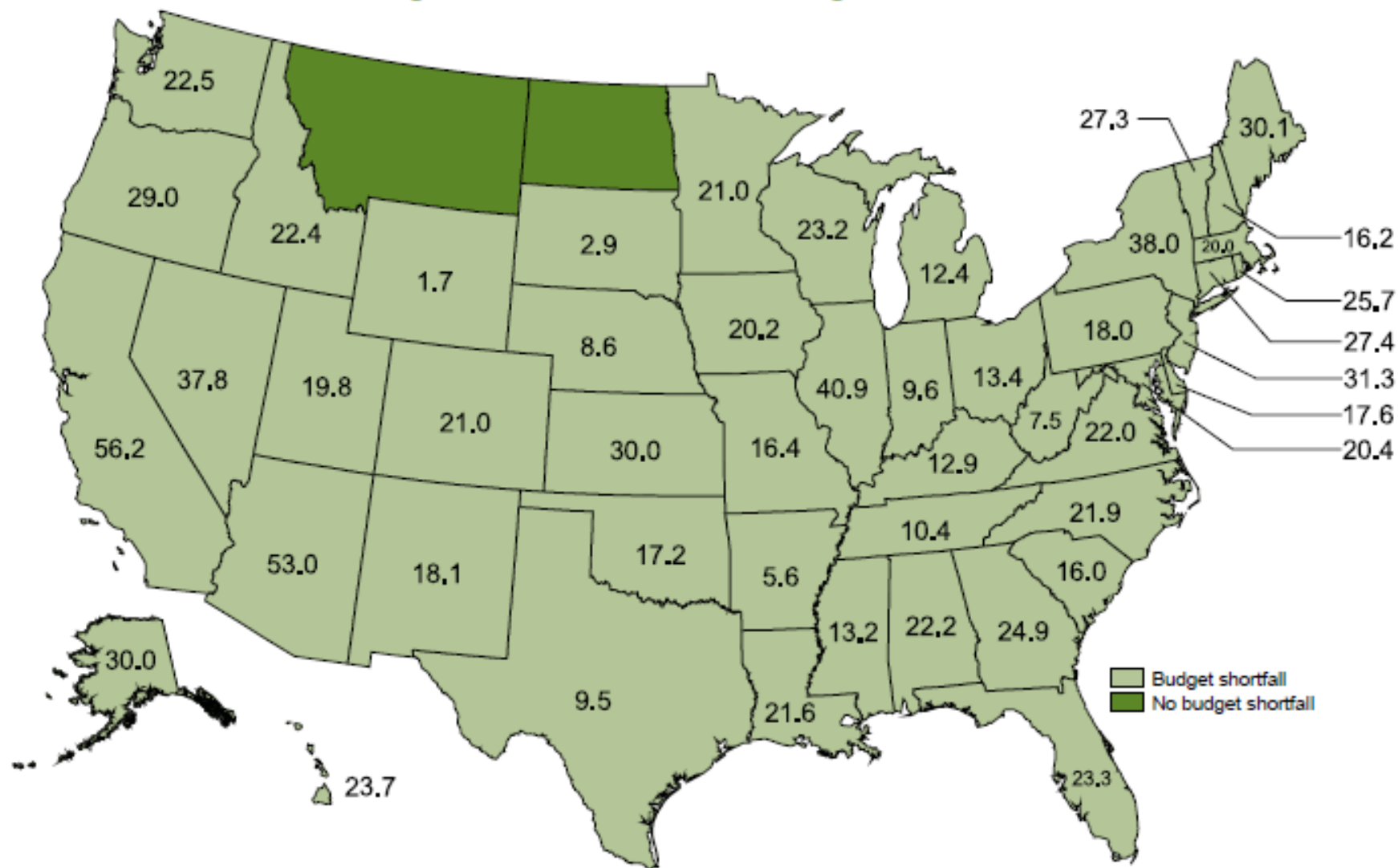


Figure 2.9. 48 States Face Budget Shortfalls



Note: Includes states with shortfalls in Fiscal Year 2009/10. Budget shortfall percentage compares the budget shortfall to the general fund budget.  
Source: McNichol and Johnson, Center on Budget and Policy Priorities, 2009.





# Report to the Governor – Feb 2010

## Short Term - Employment

- ▶ “The state unemployment rate will likely average 10.4 percent (in 2010) and **remain stuck above 10 percent through 2011,**” the report says.”
- ▶ The only sectors expected to see job growth in the coming year are wholesale trade, professional and business services, education and health services, and government.
- ▶ Tennessee is now into its fourth consecutive quarter with a statewide unemployment rate in excess of 10 percent.
- ▶ “The number of unemployed people has nearly doubled since the start of the recession,” the report says.
- ▶ As for the long-term outlook, the report states that the state unemployment rate is expected to “remain stubbornly high for several years to come, **not falling below 7 percent until 2016.**”





# Report to the Governor – Feb 2010

## Short Term - Personal Income

- ▶ “Personal income growth in Tennessee lagged the nation between 1999 and 2009”
- ▶ “The long-run forecast indicates that same pattern will emerge in the years out to 2019.” Nevertheless, some improvement is forecasted.
- ▶ “A slower rate of job loss, along with the expectation of rising average wage, should produce 2.5 percent growth in **wage and salary** income in 2010”
- ▶ In addition, labor income, proprietors’ income and rent, and interest and dividend income also are expected to grow in the coming year.
- ▶ As a result, nominal **personal income** — the sum of wage and salary disbursements, proprietors’ income, personal dividend income, personal interest income, and transfer payments to persons — should grow 2.1 percent in 2010 and 3.5 percent in 2011. By comparison, nominal personal income rose only 0.2 percent in 2009.



# Report to the Governor – Feb 2010

## Short Term - Sales Tax Revenue

- ▶ Taxable sales should show improvement in the coming year, too — partly because the economy will improve and also because sales are at such a severely depressed level now.
- ▶ “For the year as a whole, taxable sales should advance 2.1 percent in 2010,” the report says.
- ▶ Before the recession, sales tax revenue peaked in the 2007-08 fiscal year, and revenues aren’t expected to rise beyond that pre-recession peak until the **2012-13 fiscal year**.



# Report to the Governor – Feb 2010

## Short Term Outlook

- ▶ Manufacturing will experience a 3.3 percent employment loss in 2010, marking significant improvement over the 10.9 percent setback last year.
- ▶ While small employment gains are expected for 2011 and 2012, these represent only partial recovery from the deep setbacks of the current business cycle—manufacturing employment in Tennessee will never return to its pre-recession peak and **will see ongoing erosion in 2013 and beyond.**
- ▶ Tennessee wage and salary income should advance 2.5 percent in 2010 as wage gains overwhelm the small contraction in employment that is projected for the year.
- ▶ The year will produce the first annual gain in taxable sales since 2007 with growth of 2.1 percent. Sales growth will accelerate to 3.6 percent in 2011. **Note that taxable sales in 2011 will still fall below the level of sales registered in 2006.**

# Tennessee's Long Term Economic Outlook

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# Looking Back

**Figure 3.8. Average Annual Unemployment Rate, 1999 to 2008**



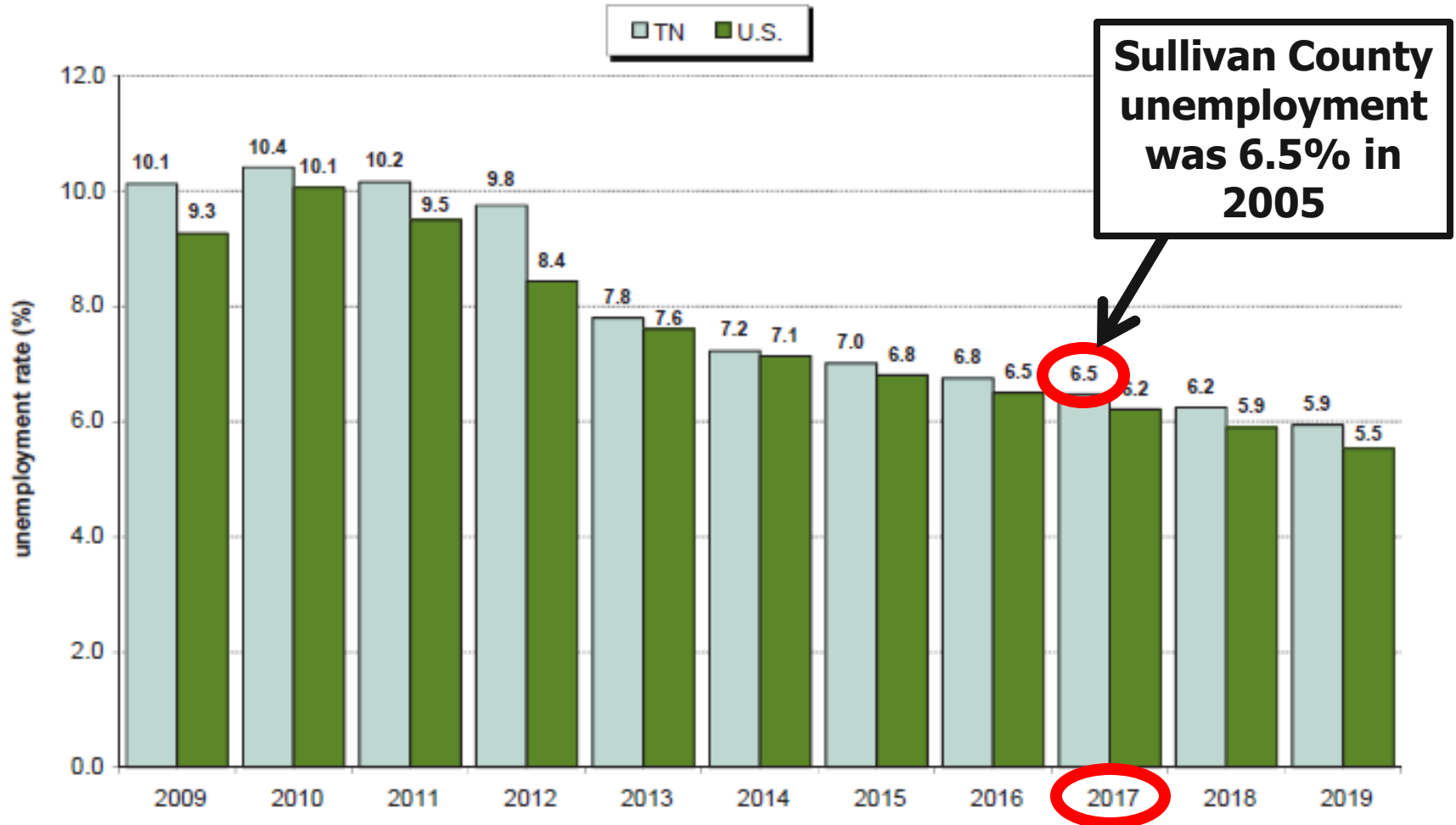
Tennessee average: 5.1%

U.S. average: 5.0%

Source: Bureau of Labor Statistics.

# Looking Ahead

Figure 3.9. Annual Unemployment Rate, 2009 to 2019



Source: Bureau of Labor Statistics; IHS Global Insight, Inc.; and CBER-UT.

## Long Term Unemployment Outlook for Tennessee and the U.S.



# Report to the Governor – Feb 2010

## Long Term – Employment

- ▶ **Jobs in the manufacturing sector have been in steady decline since the 1990s, with the pace of job loss accelerating sharply during the recession.**
- ▶ **In 1999, there were 499,800 manufacturing jobs in Tennessee, but by 2009 employment had fallen by 177,400 to 322,400.**
- ▶ **The U.S. saw manufacturing employment fall by 5.3 million over the same period.**





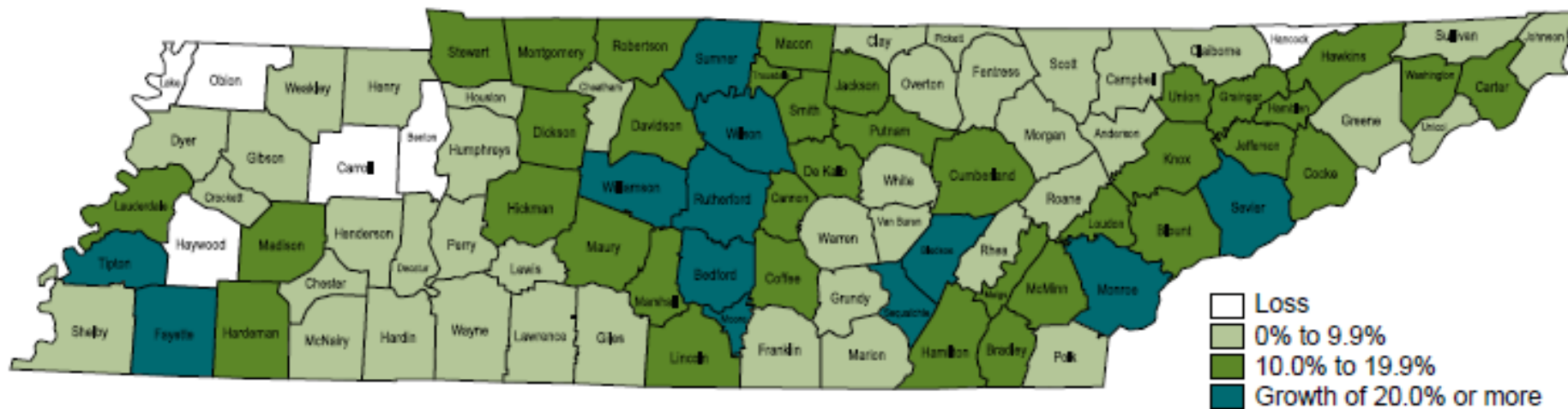
# **Report to the Governor – Feb 2010**

## **Long Term – Personal Income**

- ▶ **Between 2009 and 2019, personal income in Tennessee is expected to advance at a 4.3 percent compound annual growth rate, matching the rate of growth recorded between 1999 and 2009.**
- ▶ **Income growth for the nation surpassed income growth in Tennessee between 1999 and 2009, a pattern that will be sustained between 2009 and 2019.**

### 3.6. State and Gross Domestic Product, continued

Figure 3.10. Population Growth, 1999 to 2008



Tennessee average: 13.3%  
U.S. average: 11.5%  
Source: Census Bureau.

**Over the longer term, population change will have a greater effect on the overall level of employment and economic activity. Between 1999 and 2009, Tennessee's population grew by 13.3 percent, or 1.3 percent on a compound annual basis. The population of the U.S. grew at the slower rate of 11.5 percent, reflecting a compound annual growth rate of 1.1 percent.**

Table 3.3. Tennessee Inflation-Adjusted Gross Domestic Product by Sector



# **Report to the Governor – Feb 2010**

## **Long Term – State Gross Domestic Product**

- ▶ **Output growth will accelerate in 2010, 2011 and 2012 and then return to somewhat slower trend growth in the following years.**
- ▶ **Manufacturing will see especially healthy rates of growth despite the expectation of significant job losses.**
- ▶ **The productivity gains in the state's manufacturing sector have been pronounced.**
- ▶ **For example, in 2008 the manufacturing sector shed 4.8 percent of its job base, while output expanded 3.1 percent.**



# Tri-Cities Labor Market

## 4Q 2009 (released Feb 2009)

- ▶ **The intensity of the Great Recession did not abate in the Tri-Cities region during the fourth quarter.**
- ▶ **Area employment fell 4.5% to 221,716 -- a loss of over 10,300 jobs compared to the same period in 2008.**
- ▶ **Unemployment increased by 51% to 22,657 on a year-to-year basis – a jump of 7,700 in the jobless numbers. The difference in job losses and unemployment represents over 2500 discouraged workers who have given up looking for work and have dropped out of the labor force.**
- ▶ **The unemployment rate for the Tri-Cities area is now 9.3%, compared to only 6.1% a year ago. Three of the seven metro counties saw double-digit unemployment rates over the fall months.**
- ▶ **The economic recovery in the Tri-Cities will probably lag the national upturn, just as local business conditions lagged the initial part of the recession in 2008. With a springtime recovery in the national economy, the region can anticipate improving business conditions with the arrival of summer.**



# Tri-Cities Retail Market

4Q 2009 (released March 2010)

- ▶ **The ongoing recession dominated the retail picture in the three cities during the critical holiday selling season. Adjusted for inflation, real sales decreased 12.2% in Bristol, 6.5% in Kingsport, and 5.0% in Johnson City.**
- ▶ **In comparison, real sales were down 5.1% in the metro area and 4.5% in Tennessee, but *increased* 0.5% in the nation as a whole.**
- ▶ **Retail sales were also lower in the other metro areas of East Tennessee. Adjusted for inflation, sales volume dropped 3.9% in Chattanooga and 5.1% in Knoxville (compared to the 5.1% decline in the Tri-Cities).**

# The Local Outlook



<b>Employment in Kingsport, TN-VA MSA</b>	January 1990	% of All Jobs	July 2009	% of All Jobs	Change (Jan 1990- July 2009)	
Trade, Transportation and Utilities	22,900	21.60%	24,400	20.82%	1,500	
Manufacturing	36,300	<b>34.25%</b>	21,200	<b>18.09%</b>	<b>-15,100</b>	
Education and Health Services	10,000	<b>9.43%</b>	18,600	<b>15.87%</b>	<b>8,600</b>	
Government	12,600	11.89%	14,500	12.37%	1,900	
Leisure and Hospitality	6,500	<b>6.13%</b>	12,500	<b>10.67%</b>	<b>6,000</b>	
Professional and Business Services	6,200	5.85%	8,200	7.00%	2,000	
Mining, Logging, Construction	3,100	2.92%	7,300	6.23%	4,200	
Financial	3,100	2.92%	4,200	3.58%	1,100	
Other Services	3,400	3.21%	3,900	3.33%	500	
Information	1,900	1.79%	2,400	2.05%	500	
<b>TOTAL</b>	<b>106,000</b>	<b>100.00%</b>	<b>117,200</b>	<b>100.00%</b>	<b>11,200</b>	<b>&lt;= Net New Jobs</b>

Source: [http://www.bls.gov/eag/eag.tn\\_kingsport\\_msa.htm](http://www.bls.gov/eag/eag.tn_kingsport_msa.htm)



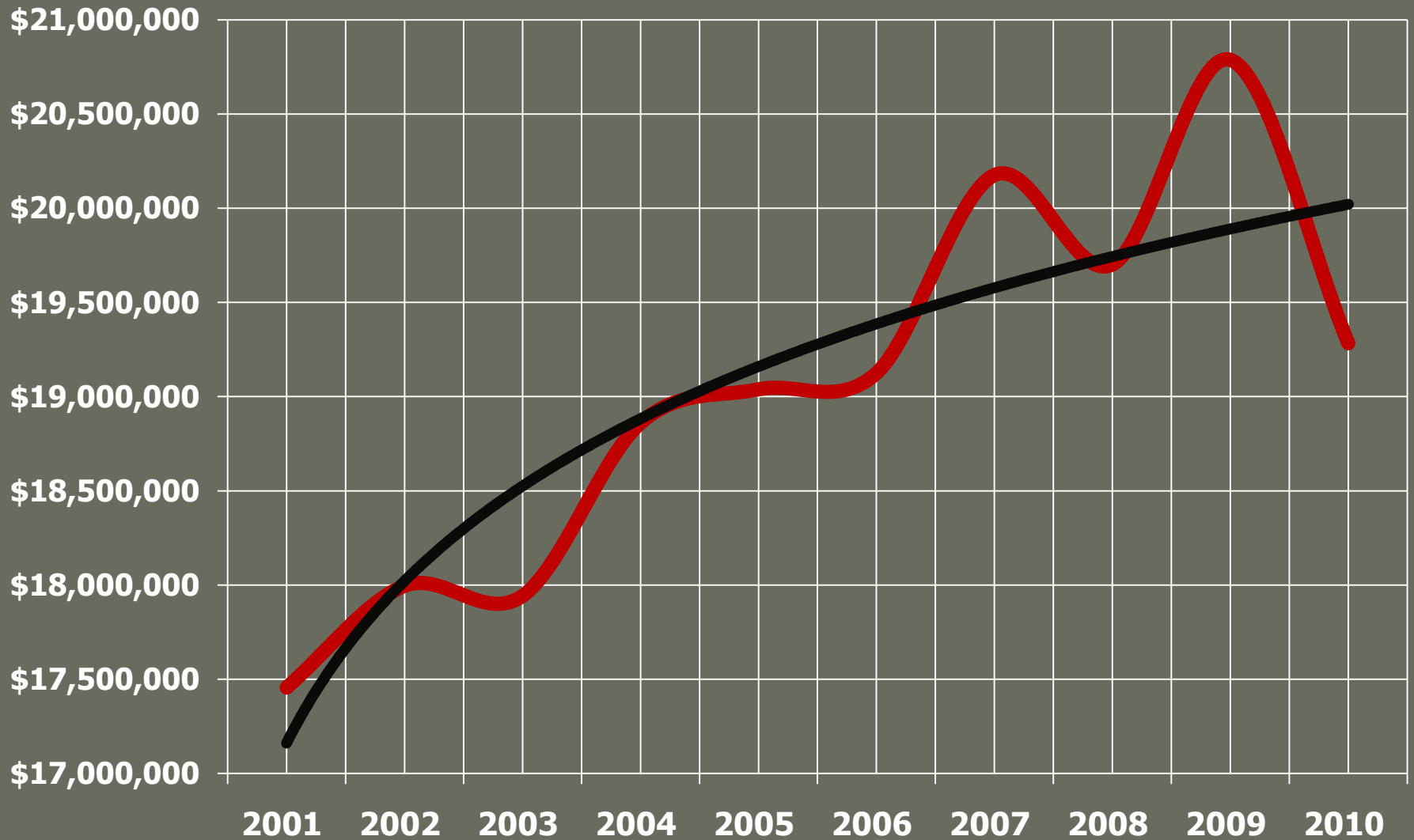
# City of Kingsport – Dashboard – March 11, 2010

	2005	2006	2007	2008	2009	2010	Change (between 2005 and latest available data)
Unemployment Rate	11.5%	8.2%	6.9%	5.8%	10.5%	11.8%	0.3%
Construction Value	\$66,809,260	\$88,560,394	\$164,480,512	\$173,102,255	\$69,721,295	n/a	4.4%
Population	44,114	44,122	44,435	44,473	**	**	0.8%
Labor Force	19,110	18,730	19,150	18,840	19,380	18,890	-1.2%
Employed	16,920	17,200	17,830	17,760	17,350	16,670	-1.5%
Not in labor force	25,004	25,392	25,285	25,633	n/a	n/a	2.5%
Retail Sales	\$1,245,600,000	\$1,287,900,000	\$1,283,800,000	\$1,327,200,000	\$1,239,600,000	****	-0.5%

Unemployment (U.S., State, Metro & County Data)*	2005	2006	2007	2008	2009	2010	Change 2005- 2010
Kingsport City	11.5%	8.2%	6.9%	5.8%	10.5%	11.8%	0.3%
Cleveland City	9.8%	8.5%	7.1%	7.3%	12.4%	10.5%	0.7%
Maryville City	n/a	8.5%	7.7%	8.6%	16.7%	10.4%	1.9%
Bristol (TN) City	6.6%	5.7%	4.4%	5.1%	7.1%	9.6%	3.0%
Oak Ridge City	5.9%	4.5%	4.4%	4.1%	6.8%	9.1%	3.2%
Johnson City	5.9%	4.9%	4.3%	4.7%	7.0%	9.5%	3.6%
Sullivan County	6.5%	5.0%	4.6%	4.5%	6.9%	10.3%	3.8%
Washington County	5.9%	4.7%	4.6%	4.7%	7.4%	9.8%	3.9%
Kingsport-Bristol MSA	6.4%	5.1%	4.9%	4.8%	8.4%	10.4%	4.0%
Tri-Cities CSA	6.4%	5.2%	4.9%	4.9%	8.3%	10.5%	4.1%
Johnson City MSA	6.4%	5.2%	5.0%	5.2%	8.1%	10.7%	4.3%
Hawkins County	7.6%	6.4%	5.8%	5.2%	10.8%	12.2%	4.6%
Carter County	7.0%	5.7%	5.1%	5.5%	9.1%	11.6%	4.6%
U.S.	5.7%	5.1%	5.0%	5.4%	8.5%	10.6%	4.9%
Tennessee	6.6%	5.7%	5.3%	5.4%	9.3%	11.5%	4.9%
Morristown City	8.8%	9.6%	8.0%	8.7%	15.2%	14.0%	5.2%
Greene County	9.5%	9.1%	8.2%	8.3%	14.1%	16.6%	7.1%

# Kingsport Retail Sales Tax Collections

## July-February YTD 2001-2010



Source: City of Kingsport Finance Department, February 2010

# City of Kingsport

## Sales & Use Tax Categories

### July-December 2009

							% of Change	
	FY05	FY06	FY07	FY08	FY09	FY10	Over FY09	
03. Construction	173,356	205,075	195,002	227,048	232,188	209,212	-9.90%	
04. Manufacturing	654,248	781,901	1,527,689	1,549,641	1,762,497	1,365,942	-22.50%	
06. Communications	75,283	125,182	32,583	20,506	35,671	49,451	38.63%	
07. Electric Gas Sanitary Services	57,412	54,383	98,873	62,868	64,117	57,150	-10.87%	
08. Wholesale Trade	548,453	575,036	643,450	629,877	682,229	545,734	-20.01%	
09. Building Materials	1,110,231	1,144,563	1,122,466	1,154,479	1,113,480	1,039,997	-6.60%	
10. General Merchandise Stores	3,644,622	3,593,866	3,726,965	3,418,808	3,478,544	3,336,198	-4.09%	
11. Food Stores	929,214	1,103,403	1,183,819	1,158,386	1,274,207	1,218,703	-4.36%	
12. MV Dealers and Service Stations	897,472	947,320	1,021,421	1,021,616	970,210	961,068	-.094%	
13. Apparel Stores	484,241	623,840	575,538	617,009	608,488	587,626	-3.43%	
14. Furniture Stores	393,666	469,479	408,964	448,110	426,292	231,282	-45.75%	
15. Eating and Drinking Places	1,724,082	1,820,720	1,945,204	2,028,856	2,065,056	2,070,407	0.26%	
16. Misc. Retail	882,173	994,434	1,000,836	1,005,714	1,216,334	1,286,060	5.73%	
18. Services	1,426,348	1,117,317	1,114,145	1,039,248	952,424	882,125	-7.38%	
19. Public Services and Non-classified	19,060	108,353	73,933	86,062	80,157	88,085	9.89%	
<b>Total</b>	<b>13,019,861</b>	<b>13,664,870</b>	<b>14,670,886</b>	<b>14,468,228</b>	<b>14,961,894</b>	<b>13,929,039</b>		

**Doubled  
since  
2005**

**20%  
increase  
since  
2005**

# Kingsport Academic Village

Combined Enrollment (March 2010)

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Northeast State	1,206
King College	175
LMU	98
University of Tennessee	54
Carson-Newman	Unknown
<b>Total</b>	<b>1,533</b>

<b>City of Kingsport</b>	<b>1999 Summit</b>	<b>2008</b>
<b>College degree or higher</b>	<b>18%</b>	<b>24%</b>
<b>Median age</b>	<b>42.3</b>	<b>41.9</b>
<b>Over 65</b>	<b>21%</b>	<b>15%</b>
<b>Median Family Income</b>	<b>\$30,279</b>	<b>\$50,076</b>

<b>EDUCATIONAL ATTAINMENT City of Kingsport</b>	<b>2000</b>	<b>2008</b>	<b>Net Change</b>	<b>% Change</b>
Population 25 years and over	31,971	33,950	1,979	6.2%
Less than 9th grade	3,533	2,808	-725	-20.5%
9th to 12th grade, no diploma	3,995	3,167	-828	-20.7%
High school graduate (includes equivalency)	9,299	11,378	2,079	22.4%
Some college, no degree	5,914	5,792	-122	-2.1%
Associate's degree	1,676	2,651	975	58.2%
Bachelor's degree	4,785	5,384	599	12.5%



**City of Kingsport, Tennessee**

	<b>2000 Census</b>	<b>% of City Population 25 years and over</b>	<b>2008</b>	<b>% of City Population 25 years and over</b>
<b>EDUCATIONAL ATTAINMENT</b>				
<b>Population 25 years and over</b>	<b>31,971</b>	<b>100%</b>	<b>33,950</b>	<b>100%</b>
Less than 9th grade	3,533	11.1%	2,808	8.3%
9th to 12th grade, no diploma	3,995	12.5%	3,167	9.3%
High school graduate (includes equivalency)	9,299	29.1%	11,378	33.5%
Some college, no degree	5,914	18.5%	5,792	17.1%
Associate's degree	1,676	5.2%	2,651	7.8%
Bachelor's degree	4,785	15.0%	5,384	15.9%
Graduate or professional degree	2,769	8.7%	2,770	8.2%

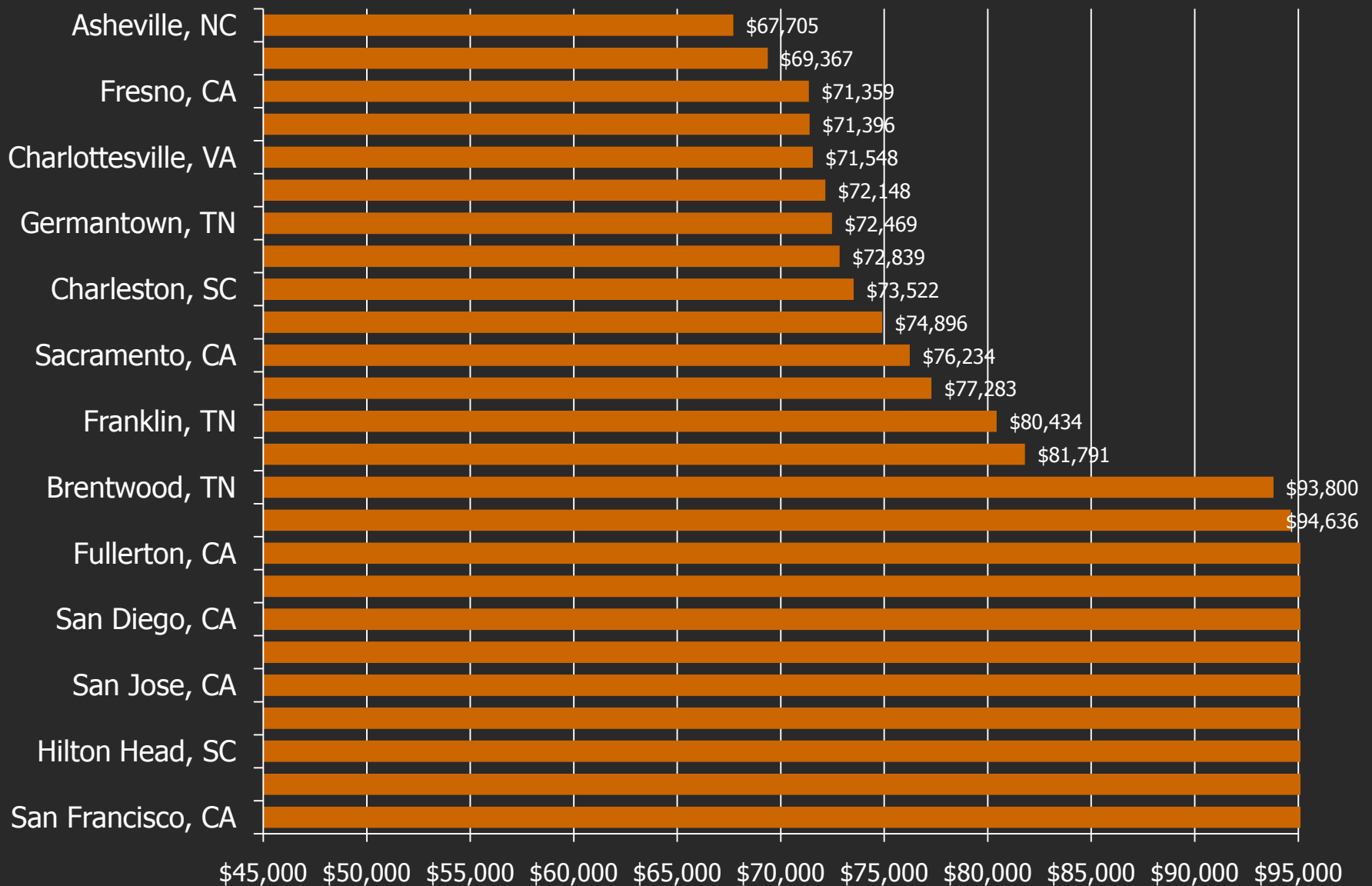
\*Source: 2000 Census, 2006-2008 American Community Survey

<b>Net Change in Number of City Residents 25 years and over</b>	<b>% Change in Number of City Residents 25 years and over</b>
1,979	6.2%
-725	-20.5%
-828	-20.7%
2,079	22.4%
-122	-2.1%
975	58.2%
599	12.5%
1	0.0%

<b>Then and Now</b>	<b>1999 Summit</b>	<b>2008</b>
College degree or higher	18%	24%
Median age	42.3	41.9
Over 65	21%	15%
Median Family Income	\$30,279	\$50,076

<b>How far we have to go....</b>	<b>City of Kingsport</b>	<b>Sullivan County</b>	<b>Hawkins County</b>	<b>State of Tennessee</b>	<b>United States</b>
Less than 9th grade	8.3%	7.6%	11.6%	7.1%	6.4%
9th to 12th grade, no diploma	9.3%	10.4%	12.3%	11.1%	9.1%
High school graduate (includes equivalency)	33.5%	34.2%	38.6%	33.7%	29.6%
Some college, no degree	17.1%	20.2%	20.3%	20.1%	20.1%
Associate's degree	7.8%	7.8%	5.7%	5.8%	7.4%
Bachelor's degree	15.9%	13.2%	7.6%	14.4%	17.3%
Graduate or professional degree	8.2%	6.7%	3.9%	7.7%	10.1%

# \$50,000 in Kingsport is worth:



# Summary

- ▶ Tennessee unemployment is higher than U.S.
  - Will remain stubbornly high through 2016
  - Sullivan County unemployment is better than Tennessee & U.S.
  - Hawkins County unemployment is worse than Tennessee & U.S.
- ▶ Tennessee personal income grew faster than any southeastern state, except Virginia (driven by Northern VA and DC)
  - TN personal income will grow substantially more in 2010 and 2011 than 2009
- ▶ Tennessee state budget shortfall significantly less than other Southeastern states (except Arkansas)
- ▶ Sales tax revenue will not return to pre-recession levels until 2012-13
- ▶ Manufacturing employment in Tennessee will never return to its pre-recession peak and **will see ongoing erosion in 2013 and beyond.**

# Conclusion



- ▶ **UT**: It took more than two years to get into this economic mess, and it's likely going to take more than two years from now to get out of it.



- ▶ **ETSU**: The economic recovery in the Tri-Cities will probably lag the national upturn, just as local business conditions lagged the initial part of the recession...anticipate improving Tri-Cities business conditions with the arrival of summer



- ▶ **Kingsport** Improved educational attainment remains the single strongest means by which to improve a family's economic condition, which in turn improves the community's economic condition
- ▶ Kingsport is making great strides in improving educational attainment
- ▶ United Way agencies provide the support system for individuals and families to be able to access to opportunities for improved educational attainment
- ▶ Connecting the dots: child care, after school care, food, shelter, assistance, referral
- ▶ Times are tough, but the need is greater than ever. We can't afford to lose.